

STATE OF TENNESSEE

Office of the Attorney General



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Reply to:
Consumer Advocate and Protection Division
Post Office Box 20207
Nashville, TN 37202

April 23, 2004

Honorable Deborah Taylor Tate
Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243

IN RE: Application of Chattanooga Gas Company, a Division of Piedmont Natural Gas Company, Inc., for an Adjustment of its Rates and Charges, the Approval of Revised Tariffs and Approval of Revised Service Regulations,

Docket ~~03-00034~~ 04-00034

Dear Chairman Tate:

Enclosed is an original and thirteen copies of the Consumer Advocate and Protection Division's Discovery Request to Chattanooga Gas Company in regard to Docket No. 04-00034. Please file same in this docket. Copies are being sent to all parties of record.

Should you have any questions, please contact me at (615) 741-1671. Thank you.

Sincerely,

A handwritten signature in black ink that reads "Vance Broemel".

Vance Broemel
Assistant Attorney General

CC: All Parties of Record.

IN RE:

**APPLICATION OF CHATTANOOGA
GAS COMPANY, A DIVISION OF
PIEDMONT NATURAL GAS COMPANY,
INC., FOR AN ADJUSTMENT OF ITS
RATES AND CHARGES, THE
APPROVAL OF REVISED TARIFFS AND
APPROVAL OF REVISED SERVICE
REGULATIONS**

**DISCOVERY REQUEST TO CHATTANOOGA GAS COMPANY
BY THE CONSUMER ADVOCATE AND PROTECTION DIVISION
OF THE OFFICE OF THE ATTORNEY GENERAL**

D. Billye Sanders, Esq.
Waller, Lansden, Dortch & Davis, PLLC
511 Union Street, Suite 2100
Nashville, TN 37219-1760

These Interrogatories are hereby served upon Chattanooga Gas Company, a Subsidiary of AGL Resources, Inc. (“Chattanooga Gas” or “Company”), pursuant to Rules 26, 33 and 36 of the Tennessee Rules of Civil Procedure and Tenn. Comp. R. & Reg. 1220-1-2-.11. We request that full and complete responses be provided, under oath, pursuant to the Tennessee Rules of Civil Procedure. The responses are to be produced at the Office of the Tennessee Attorney General and Reporter, Consumer Advocate and Protection Division, 425 Fifth Avenue North, Nashville,

Tennessee 37243, c/o Timothy Phillips and Vance Broemel, by May 3, 2004.

PRELIMINARY MATTERS AND DEFINITIONS

Each Interrogatory and Request to Produce calls for all knowledge, information and material available to Chattanooga Gas, as a party, whether it be Chattanooga Gas', in particular, or knowledge, information or material possessed or available to Chattanooga Gas' attorney or other representative.

These Interrogatories and Requests to Produce are to be considered continuing in nature, and are to be supplemented from time to time as information is received by Chattanooga Gas which would make a prior response inaccurate, incomplete, or incorrect. In addition, the Attorney General requests that Chattanooga Gas supplement responses hereto with respect to any question directly addressed to the identity and location of persons having knowledge of discoverable matters, and the identity of each person expected to be called as an expert at hearing, the subject matter on which the expert is expected to testify, and the substance of the expert's testimony.

For purposes of these Interrogatories and Requests to Produce, the term "you" shall mean and include: Chattanooga Gas Company and all employees, agents and representatives thereof.

The term "person" or "persons" as used herein refers to any natural person, corporation, firm, company, sole proprietorship, partnership, business, unincorporated association, or other entity of any sort whatsoever. Where a company or organization is the party being served, all responses must include the company's response. Moreover, the company's designated person for responding must assure that the company provides complete answers. *A complete answer must provide a response which includes all matters known or reasonably available to the company.*

The term “identity” and “identify” as used herein, with respect to any person, means to provide their name, date of birth, current residence address, current residence telephone number, current business address, current business telephone number, and the occupation or job title of that person; with respect to an entity, those terms mean to provide the name by which said entity is commonly known, the current address of its principal place of business, and the nature of business currently conducted by that entity; with respect to any document, those terms mean to provide the date of the document, the nature of the document, and the title (if any) of the document.

The term “document” as used herein, means any medium upon which intelligence or information can be recorded or retrieved, such as any written, printed, typed, drawn, filmed, taped, or recorded medium in any manner, however produced or reproduced, including but not limited to any writing, drawing, graph, chart, form, photograph, tape recording, computer disk or record, or other data compilation in any form without limitation. Produce the original and each copy, regardless of origin or location, of any book, pamphlet, periodical, letter, note, report, memorandum (including memoranda, note or report of a meeting or conversation), spreadsheet, photograph, videotape, audio tape, computer disk, e-mail, or any other written, typed, reported, transcribed, punched, taped, filmed, or graphic matter, however produced or reproduced, which is in your possession, custody or control or which was, but is no longer, in your possession, custody, or control. If any such document or thing was, but no longer is, in your possession or control, state what disposition was made of it and when.

If you produce documents in response to these Interrogatories, produce the original of each document or, in the alternative, identify the location of the original document. If the “original” document is itself a copy, that copy should be produced as the original.

If any objections are raised on the basis of privilege or immunity, include in your response a complete explanation concerning the privilege asserted.

If you contend that you are entitled to refuse to fully answer any of this discovery, state the exact legal basis for each such refusal.

If any of the interrogatories are not answered on the basis of privilege or immunity, include in your response to each such interrogatory a written statement evidencing:

- (A) the nature of the communication;
- (B) the date of the communication;
- (C) the identity of the persons present at such communication; and
- (D) a brief description of the communication sufficient to allow the Court to rule on a motion to compel.

If, for any reason, you are unable to answer a discovery request fully, submit as much information as is available and explain why your answer is incomplete. If precise information cannot be supplied, submit 1) your best estimate, so identified, and your basis for the estimate and 2) such information available to you as comes closest to providing the information requested. If you have reason to believe that other sources of more complete and accurate information exist, identify those sources.

If any information requested is not furnished as requested, state where and how the information may be obtained or extracted, the person or persons having knowledge of the procedure and the person instructing that the information be excluded.

If a document exists in different versions, including any dissimilar copies (such as a duplicate with handwritten notes on one copy), each version shall be treated as a different document and each must be identified and produced.

These discovery requests are to be interpreted broadly to fulfill the benefit of full discovery. To assist you in providing full and complete discovery, the Attorney General provides the following definitional guidelines.

The terms “and” and “or” shall be construed conjunctively or disjunctively as necessary to include any information that might otherwise be construed outside the scope of these requests.

The term “communication” means any transmission of information by oral, graphic, pictorial or otherwise perceptible means, including but not limited to personal conversations, telephone conversations, letters, memoranda, telegrams, electronic mail, newsletters, recorded or handwritten messages, or otherwise.

FIRST DISCOVERY REQUEST

INTERROGATORIES AND REQUESTS TO PRODUCE

DISCOVERY REQUEST NO. 1:

For the years 1998 through 2003 provide:

- (A) CGC’s annual earnings;
- (B) the date of each formal dividend declaration made by CGC;
- (C) for each declaration provide the total dollar amount of dividends declared and the dividends declared per share; and
- (D) if CGC paid dividends without making a formal declaration of dividends then provide the annual amount paid and identify the party receiving the dividends.

DISCOVERY REQUEST NO. 2:

Provide the dollar amount of dividends expected to be declared or paid out by CGC in the attrition year.

DISCOVERY REQUEST NO. 3:

Provide the amount of capital paid in or expected to be paid in by AGL Resources to CGC in the attrition year.

DISCOVERY REQUEST NO. 4:

Regarding Exhibit MJM-4 Schedule 1 the line titled “Long-Term Debt” and under the column titled “Cost Rate,” show the calculations that lead to “6.74%” and provide the requested information on the bonds and notes which are the basis of the calculations and provide the information on a diskette or CD that can be read in ASCII or Excel:

- (A) the face amount of each long-term debt note;
- (B) the date the note was issued;
- (C) the date the note is scheduled to mature;
- (D) the note’s interest rate payable to the note holder;
- (E) the number of payments made each year to the note holder(s);
- (F) the earliest date the note can be called in by the company for early redemption;
- (G) the unamortized balances and monthly amortizations, if any, on the gain or loss if any, on reacquired long-term debt;
- (H) the amount the company must pay to note holders in the event of early redemption;
- (I) the amount rolled into the note for early redemption of notes that have already been retired;
- (J) the book value of the assets pledged against the note;
- (K) the name and business address of the company or person(s) who own the assets;
- (L) the minimum equity ratio, TIER ratio, and any other term or condition which must be met to comply with the note’s covenants;

- (M) indicate if the note is Senior or subordinated debt;
- (N) indicate the company or person(s) who are co-signers on the notes or bonds; and
- (O) indicate the disposition of assets in the event of default.

DISCOVERY REQUEST NO. 5:

Regarding Exhibit MJM-4 Schedule 1 the line titled "Short-Term Debt" and under the column titled "Cost Rate," show the calculations that lead to "2.69%" and provide the requested information on the short-term notes or commercial paper which are the basis of the calculations and provide the information for the past 24 months on a diskette or CD that can be read in ASCII or Excel:

- (A) the average daily balance of each note or commercial paper issue;
- (B) the month-end balance of each note or commercial paper issue;
- (C) the amount of the note or commercial paper issue;
- (D) the interest rate, expressed in terms of an annual rate, on the note or commercial paper issue; and
- (E) the holder of each note or commercial paper issue.

DISCOVERY REQUEST NO. 6:

Regarding Exhibit MJM-4 Schedule 1 the line titled "Preferred Stock" and under the column titled "Cost Rate," show the calculations that lead to "8.54%" and provide the requested information:

- (A) the number of preferred shares issued and preferred shares outstanding for each year from 1998 through 2003;
- (B) the annual dividend paid per share to preferred stock for each year for the years ending December 31, 1998 through December 31, 2003;

- (C) copies of any AGL Resources board minutes showing discussions of preferred stock;
- (D) indicate if the preferred stock is callable, convertible, non-voting, or participating, and if it is callable or redeemable, explain the conditions for a call or redemption; and
- (E) if AGL Resources plans to call or redeem the preferred stock or otherwise repurchase or reacquire the preferred stock in the attrition year, indicate the method of reacquisition the expected costs will occur and what the repurchase price will be.

DISCOVERY REQUEST NO. 7:

Produce copies of any and all documents referred to or relied upon in responding to the Attorney General's discovery requests.

DISCOVERY REQUEST NO. 8:

Provide unredacted copies of SEC Form U-9/C-3 for all quarters for the past five years.

DISCOVERY REQUEST NO. 9:

Provide a reconciliation of "Shared Service Allocation" expense reported on the PSC Forms 3.03 filed with the TRA and forms U-9/C-3 filed with the SEC for the past five years.

DISCOVERY REQUEST NO. 10:

Mr. Lindsey proposes the "CARES" program to be "funded through a surcharge on each therm of system throughput." (Testimony p. 10) What is the estimated cost of this program? Why has the company proposed to surcharge this cost to ratepayers instead of recovering the cost from stockholders or voluntary contributions from ratepayers similar to other charitable contributions?

DISCOVERY REQUEST NO. 11:

Provide a narrative detailing the development of the "allocation process" involved in allocating AGLSC (AGL Services Company) employees and associated costs to Chattanooga referenced in Mr. Morley's testimony at p. 11, lines 19 and 20. Provide a worksheet detailing

numbers of allocated employees and associated costs by year since the last rate request.

DISCOVERY REQUEST NO. 12:

On page 11 of Mr. Morley's testimony he states, "The increase in distribution expenses is due to a Federal Energy regulatory Commission ("FERC") mandated pipeline integrity program." Provide copies of all supporting documents (any FERC Order, law, or other requirement) specifically "mandating" the pipeline integrity program and explain the impact on state regulatory authorities.

DISCOVERY REQUEST NO. 13:

Provide all leak reports and emergency main replacement incidents and describe the costs over the past 5 years involved directly attributable to "Bare Steel" and Cast Iron Mains. Detail the costs incurred in repairing mains due to these incidents.

DISCOVERY REQUEST NO. 14:

On p. 4 of Mr. Lonn's testimony he states, "The replacement will result in not having to repair an ever increasing number of leaks related to bare steel and cast iron pipeline." If this is so, explain why an aggressive replacement program was not cost beneficial and therefore was not implemented by management in prior years.

DISCOVERY REQUEST NO. 15:

Identify each person whom you expect to call as an expert witness at any hearing in this docket, and for each such expert witness

- (A) identify the field in which the witness is to be offered as an expert;
- (B) provide complete background information, including the expert's current employer as well as his or her educational, professional and employment history, and qualifications within the field in which the witness is expected to testify, and identify all publications written or presentations presented in whole or in part by the witness;

- (C) provide the grounds (including without limitation any factual basis), for the opinions to which the witness is expected to testify, and provide a summary of the grounds for each such opinion;
- (D) identify any matter in which the expert has testified (through deposition or otherwise), by specifying the name, docket number and forum of each case, the dates of the prior testimony and the subject of the prior testimony, and identify the transcripts of any such testimony;
- (E) identify the terms of the retention or engagement of each expert including but not limited to the terms of any retention or engagement letters or agreements relating to his/her engagement, testimony, and opinions as well as the compensation to be paid for the testimony and opinions;
- (F) identify all documents or things shown to, delivered to, received from, relied upon, or prepared by any expert witness, which are related to the witness(es)' expected testimony in this case, whether or not such documents are supportive of such testimony, including without limitation all documents or things provided to that expert for review in connection with testimony and opinions, and
- (G) identify any exhibits to be used as a summary of or support for the testimony or opinions provided by the expert.

DISCOVERY REQUEST NO. 16:

Explain in detail the increase of \$412,004 resulting from an increase in the number of employees between the test period and the attrition period referenced in Mr. Morley's testimony at p. 10, line 3. Explain in detail the need for this increase as well as why the employees were not previously hired. Include employee levels since the last rate case by department, identifying exempt, non-exempt, allocated, and temporary employees and provide the same data for the test period along with attrition period employee levels (itemized similarly with historical levels by department).

DISCOVERY REQUEST NO. 17:

Provide all material provided to, reviewed by, used by or produced by any expert or

consultant retained by Chattanooga Gas to testify or to provide information from which another expert will testify concerning this case, including all work papers.

DISCOVERY REQUEST NO. 18:

Produce a copy of all articles, journals, books or speeches written by or co-written by any of Chattanooga Gas' expert witnesses, whether published or not.

DISCOVERY REQUEST NO. 19:

Explain the Bad Debt Expense of \$375,835 detailed on page 10, line 14 of Mr. Morley's testimony. Provide all work papers involved in developing this amount. Provide similar work papers used in the development of the "charge-off" percentage in the last rate case in Tennessee.

DISCOVERY REQUEST NO. 20:

Provide details and copies of the "replacement program" over the past 10 years for comparable footage and cost of mains replaced referred to in Mr. Morley's testimony. Compare the footage of pipeline replaced (actual) to "footage budgeted for pipeline replacement."

DISCOVERY REQUEST NO. 21:

Regarding the "Pipeline Replacement Program" in Georgia, provide comparable data (as in # 20 above) covering the "pipeline replacement program" in Georgia.

DISCOVERY REQUEST NO. 22:

Provide in detail the number of customers serviced as "walk-ins" for payment of service, questions regarding billing or service inquiries, or other service requested for the Chattanooga service territory by year for the past ten (10) years.

DISCOVERY REQUEST NO. 23:

Identify the number of customer bills collected by outside collection agents (by year) for the past ten (10) years.

DISCOVERY REQUEST NO. 24:

Provide any and all requests for any additional service sites and all complaints about or relating to availability of customer service for the past five years.

DISCOVERY REQUEST NO. 25:

In 2003 J. D. Power and Associates conducted a national survey of gas companies including a service quality assessment by their customers; provide any correspondence to or from J.D. Power and Associates in the past five years.

DISCOVERY REQUEST NO. 26:

Provide the data for the following categories of customer service:

(A) Customer Service by year (for years 1998 - 2003):

1. Number of Calls Received (percent answered);
2. Average Answer Time (in minutes);
3. Length of Call (in minutes);
4. After Call Processing Time (in percent);
5. Number of Walk-ins;
6. Customer Call Backs;
7. Supervisor Referrals; and
8. Cash Transactions Processed (Chattanooga).

(B) Meter Services by year (for years 1998 - 2003):

1. Number of Meters Read;
2. Risers Inspected;
3. Estimated Readings;
4. Percent Estimated;
5. Skips;
6. Re-reads;
7. Door Tags; and
8. DNPs Worked

(C) Service Department (by month for years 2001 - 2003):

1. Orders Worked;
2. Appointment Orders;
3. Appointments Missed;

4. Emergency Orders;
5. Emergency Response Time (minutes); and
6. Meters Set.

(D) Construction Department (for years 1998 - 2003):

1. Service Orders Received;
2. Service Orders Installed;
3. Backlog (Weeks);
4. Damages;
5. Service Renewal/Relocate;
6. Services Retired; and
7. Survey Leaks.

DISCOVERY REQUEST NO. 27:

Provide all support and analysis behind the statement found on p. 13 of Mr. Morley's testimony: "Increased costs at AGSC were primarily related to information services and technology initiatives and an increase cost in legal support." Please provide a worksheet detailing the costs involved in the percentage calculations.

DISCOVERY REQUEST NO. 28:

Pipeline Replacement Program - Other Projects:

- (A) Beginning on page 17 of Mr. Morley's testimony, line 10 he explains an increase in net plant balance "primarily due to the bare steel/cast iron pipeline replacement program, improvements to the Company's LNG facility and planned expansion of the Company's system;" explain the increase in net plant for projects other than the "PRP" on a project-by-project basis through the attrition year.
- (B) Within these capital (construction) identified projects quantify the amounts provided by the State of Tennessee through recent legislation (Tenn. Code Ann. § 54-5-804, "Payment of costs by state; exceptions; reimbursements") aimed at assisting utility companies with highway right-of-way costs.

DISCOVERY REQUEST NO. 29:

Describe the need to implement the proposed "Pipeline Replacement Program" (PRP) (at

this time); include and cite specific laws, orders or requirements referenced with attached documentation within the narrative.

DISCOVERY REQUEST NO. 30:

Provide a summary of Main Replacement Programs over the past 5 years detailing all projects budgeted (by year) including feet of main replaced compared with actual costs incurred; detailing in each project if projects were “bid” to outside or affiliated companies or provided by Chattanooga Gas construction personnel.

DISCOVERY REQUEST NO. 31:

Provide a comparison between the costs (and feet) involved with replacement projects budgeted per year over the past three years with projects promoted for the first 3 years of the “PRP.”

DISCOVERY REQUEST NO. 32:

Detail the construction projects necessitating pipeline replacement for the first three years of the “PRP”; i.e., for years 1, 2, 3 and explain by year the main replacement projects equating to 10 miles per year.

DISCOVERY REQUEST NO. 33:

Since Rick Lonn’s “PRP” proposal is very similar to the Georgia proposal, explain the “verification process” or audits conducted by various departments of the Georgia Public Service Commission; i.e., provide a narrative of how the verification process will work, including how replacement projects are to be distinguished from new work; how the bid process will work; and how the auditing procedure of the rate rider adjustments to the billing process will work.

DISCOVERY REQUEST NO. 34:

On p. 5, line 1 of Mr. Lonn's testimony is a reference to his Schedule 1 detailing the cost of main replacement increasing in cost from \$50.94 to \$70.88 per foot. Explain this increase in cost and compare with main replacement cost per foot for pipeline replacement projects in Georgia.

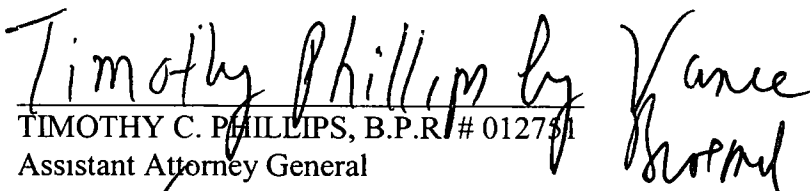
DISCOVERY REQUEST NO. 35:

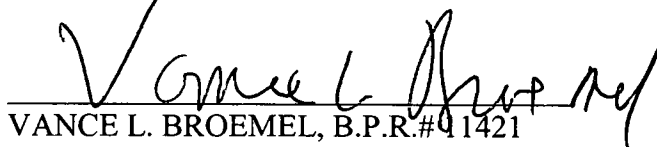
Explain the reasons for implementing the "Pipeline Replacement Plan" before the "pipeline integrity assessment" is completed.

DISCOVERY REQUEST NO. 36:

At p. 9 of Mr. Buchannan's testimony, he discusses the reasoning for increasing the re-connection fee and seasonal reconnection fee to \$50.00 (Testimony p. 9). One of the reasons given was that seasonal reconnects increase overtime costs. How much of a reduction in overtime costs does CGC anticipate as a result of the increase in this rate?

RESPECTFULLY SUBMITTED,


TIMOTHY C. PHILLIPS, B.P.R. # 012731
Assistant Attorney General


VANCE L. BROEMEL, B.P.R. # 01421
Assistant Attorney General
Office of the Attorney General
Consumer Advocate and Protection Division
P.O. Box 20207
Nashville, Tennessee 37202
(615) 741-3533

Dated: April 23rd 2004

CERTIFICATE OF SERVICE

I hereby certify that a true and exact copy of the foregoing has been served via the methods indicated on this 25th day of April, 2004, to the following:

Via first-class U.S. mail, postage prepaid:

Dale Grimes
c/o Dale Grimes
Bass, Berry & Sims
AmSouth Center
315 Deaderick Street, Suite 2700
Nashville, TN 37238-3001


Chattanooga Gas Company
c/o Archie Hickerson
AGL Resources, Location 1686
P.O. Box 4569
Atlanta, GA 30302-4569

Henry Walker, Esq.
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General Counsel
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Via hand delivery:

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VANCE L. BROEMEL
Assistant Attorney General